

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

XO COMMUNICATIONS, INC.,

Debtor.

Chapter 11

Case No. 02-12947 (AJG)

**ORDER: (A) APPROVING DISCLOSURE STATEMENT AS
HAVING ADEQUATE INFORMATION; (B)
ESTABLISHING SOLICITATION PROCEDURES; AND
(C) GRANTING RELATED RELIEF**

XO Communications, Inc., the above-captioned debtor and debtor in possession (the "Debtor"), having proposed and filed with the Clerk of this Court, on July 22, 2002, the Third Amended Plan of Reorganization, dated July 22, 2002 (as may have been or be amended from time to time, the "Plan"), and the related Disclosure Statement for the Third Amended Plan of Reorganization, dated July 22, 2002 (as may have been or be amended from time to time, the "Disclosure Statement"); and upon the motion of the Debtor seeking, among other things, approval of the Disclosure Statement as containing adequate information (the "Motion"), by Order to Show Cause, dated June 18, 2002 (the "Scheduling Order"), this Court having (a) scheduled a hearing to be held on July 19, 2002 (the "Disclosure Statement Hearing"), to consider, among other things, in accordance with section 1125 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the relief requested by the Motion; and, in accordance with the Scheduling Order, it appearing that: (A) notice of the Scheduling Order, the Motion, the Disclosure Statement Hearing, the Disclosure Statement and the Plan having been given by first class mail, on or before June 21, 2002 to: (i) the Office of the United States Trustee for the Southern District of New York; (ii) counsel for the lenders under the Senior Credit Facility; (iii) counsel for the

Investors; (iv) each of the Indenture Trustees under XO's indenture agreements; (v) counsel to the two unofficial bondholder committees (and subsequently to counsel to the official unsecured creditors' committee that was appointed in this case on June 25, 2002); (vi) the Debtor's top thirty (30) largest unsecured creditors; (vii) the Internal Revenue Service; (viii) the Attorney General of each state in which the Debtor does business; and (ix) the Securities and Exchange Commission; and (B) the Disclosure Statement Hearing Notice approved by the Scheduling Order and annexed to the Motion as Exhibit A, having been given by first class mail, on or before July 21, 2002 to: (i) the holders of known claims against and interests in the Debtor and (ii) all known creditors, as listed on the Debtor's creditors list (filed in lieu of a matrix) that were filed by the Debtor with its chapter 11 petition (collectively, the "Notice Parties"); and copies of the Plan and Disclosure Statement (with exhibits), respectively, being available to creditors and other parties in interest; and the Disclosure Statement Hearing Notice having been published at least once each in the national edition of The Wall Street Journal, in accordance with the terms of the Scheduling Order; and objections to the Motion having been filed by the parties listed on Exhibit B annexed hereto (collectively, the "Objections"); and the Disclosure Statement Hearing having been held and concluded; and upon the motion, dated June 25, 2002 (the "Voting Procedures Motion"), of the Debtor for an order (the "Voting Procedures Order") establishing, among other things, voting procedures with respect to the Plan and approving forms of ballots; and the Court having considered the Disclosure Statement and the other forms of documents and instruments annexed thereto, and the Objections and the Debtor's Reply thereto; and upon the record of the Disclosure Statement Hearing, the hearing on the Voting Procedures Motion, and all prior proceedings in this case; and it appearing that the relief provided in this Order is in the best interest of the Debtor, its estate, creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefor, it is:

FOUND THAT:

1. Notice of the Disclosure Statement Hearing in the form, within the time, and in accordance with the procedures approved and prescribed by this Court in the Scheduling Order, has been given as evidenced by affidavits of service and affidavits of publication filed with this Court.
2. Notice of the Disclosure Statement Hearing as approved and prescribed by the Court in the Scheduling Order is adequate and sufficient pursuant to the Bankruptcy Code and the Bankruptcy Rules.
3. The Disclosure Statement, as amended, modified or supplemented by the record of the Disclosure Statement Hearing and the hearing on the Voting Procedures Motion and revisions made or to be made as a result thereof, contains “adequate information,” as that term is defined in section 1125 of the Bankruptcy Code.
4. Other Secured Claims (Class 2), Non-Tax Priority Claims (Class 3), Convenience Claims (Class 4) Allowed Administrative Claims, Allowed Fee Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims, each as designated and defined in the Plan (collectively, the “Unimpaired Claims”) are not impaired within the meaning of section 1124 of the Bankruptcy Code and, therefore, the holders thereof are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan under section 1126(f) of the Bankruptcy Code.
5. Senior Secured Lender Claims (Class 1), General Unsecured Claims (Class 5), and Senior Note Claims (Class 6), as designated and defined in the Plan (collectively, the “Voting Impaired Claims”), are impaired within the meaning of section 1124 of the Bankruptcy Code and, pursuant to section 1126 of the Bankruptcy Code, the holders of such claims are entitled to vote to accept or reject the Plan.

6. Subordinated Note Claims (Class 7), Securities Claims (Class 8), Old Preferred Stock Interests (Class 9), Old Common Stock Interests (Class 10), and Other Old Equity Interests (Class 11), as designated and defined in the Plan (collectively, the “Non-Voting Impaired Claims”), will receive no distributions under the Plan and are conclusively presumed to have rejected the Plan.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED THAT:

I. Approval of Disclosure Statement

A. The Disclosure Statement (including all exhibits thereto), as amended, modified or supplemented by the record of the Disclosure Statement Hearing and the revisions made or to be made as a result thereof, is hereby approved as containing “adequate information” within the meaning of section 1125 of the Bankruptcy Code with respect to the Plan.

B. To the extent not otherwise resolved, the Objections are overruled.

C. The Debtor is authorized and empowered to solicit acceptances of the Plan in accordance with this Order and the Voting Procedures Order as entered.

D. The holders of Unimpaired Claims are not entitled to vote to accept or reject the Plan and are conclusively presumed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

E. The holders of Non-Voting Impaired Claims are not entitled to vote to accept or reject the Plan and are conclusively presumed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

F. The holders of Voting Impaired Claims are entitled to vote to accept or reject the Plan pursuant to Section 1126 of the Bankruptcy Code.

II. Notice of Confirmation Hearing

G. The notice of the hearing (the “Confirmation Hearing”) to consider confirmation of the Plan, substantially in the form of notice annexed to the Motion as Exhibit B, and the terms thereof, are hereby approved.

H. In accordance with Bankruptcy Rule 3017(d), the Debtor is hereby authorized and empowered to transmit by regular first-class mail commencing on or before July 27, 2002:

- (i) to the holders of the Voting Impaired Claims, the following documents (collectively, the “Solicitation Package” including the Plan as annexed thereto as Exhibit A):
 - (a) the Disclosure Statement
 - (b) this Order;
 - (c) the Confirmation Hearing Notice;
 - (d) a ballot; and
 - (e) the Voting Procedures Order (excluding exhibits thereto);
- (ii) to holders of Class A Common Stock in Class 10 (Old Common Stock Interests), the notice (the “Class A Common Stock Notice”), substantially in the form annexed hereto as Exhibit A, which notice may be combined with any other notice to be served on such holders in connection with the Plan and Disclosure Statement; and
- (iii) to the extent not included in the foregoing subsections (i) or (ii), to each of the Notice Parties:
 - (a) this Order; and
 - (b) the Confirmation Hearing Notice.

I. The Debtor shall publish the Confirmation Hearing Notice at least once in the national edition of The Wall Street Journal, not later than July 31, 2002.

J. Notice as set forth in the preceding two decretal paragraphs shall constitute adequate and sufficient notice of the Confirmation Hearing in accordance with Bankruptcy Rules 2002(b), (d), (f), (i), (j), (k) and (1), 3017 and 3018.

K. The "record date" for determining which holders of the claims against or interests in the Debtor is entitled to vote to accept or reject the Plan, is hereby set as 5:00 p.m. (prevailing Eastern Time) on July 18, 2002.

L. Each Intermediary (as defined in the Voting Procedures Motion) shall be entitled to receive, upon request of the Debtor by August 7, 2002, reasonably sufficient copies of ballots to distribute to the beneficial owners of claims for which it is an Intermediary, and the Debtor shall be responsible for and pay each such Intermediary's reasonable costs and expenses associated with the distribution of copies of ballots to the beneficial owners of such claims and the tabulation of such ballots.

M. The deadline for the Debtor's balloting agent, Bankruptcy Services LLC, to receive ballots from claimants, equity interest holders and Intermediaries in respect of the Plan shall be August 19, 2002 at 5:00 p.m. (prevailing Eastern Time).

III. Confirmation Hearing Date

N. The Confirmation Hearing shall be held at the United States Bankruptcy Court, Alexander Hamilton United States Custom House, One Bowling Green, New York, New York 10004-1408 in Room 523 on August 26, 2002 at 9:30 a.m. (Prevailing Eastern Time), or as soon thereafter as counsel can be heard, and may be adjourned from time to time without further notice (other than by announcement of the adjourned date or dates at such hearing).

IV. Deadline and Procedures for Filing Objections to Confirmation

O. All objections to the confirmation of the Plan must (a) be in writing and state with particularity the grounds therefor, and (b) be filed with this Court (with a copy to

chambers) and served in a manner so as to be received on or before August 21, 2002 at 4:00 p.m. (prevailing Eastern Time) by: (i) counsel to the Debtor, Willkie Farr and Gallagher, 787 Seventh Avenue, New York, New York 10019-6099, Attn: Tonny K. Ho, Esq.; (ii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attn: Gary D. Begeman, Esq.; (iii) counsel to the Investors, Fried Frank Harris Shriver and Jacobson, One New York Plaza, New York, New York 10004, Attn: George B. South III, Esq., and Latham & Watkins, 885 Third Avenue, Suite 1100, New York, New York 10022-4802, Attn: Ms. Shari Siegel, Esq.; (iv) counsel to the lenders under the Senior Credit Facility, Skadden, Arps, Slate, Meagher & Flom, LLP, Four Times Square, New York, New York 10036, Attn: Jay M. Goffman, Esq.; (v) counsel to the official committee of unsecured creditors, Akin, Gump, Strauss, Hauer & Feld. L.L.P., 590 Madison Avenue, New York, New York 10022, Attn: David Botter, Esq.; and (vi) the Office of the United States Trustee, 33 Whitehall Street, Twenty-First Floor, New York, New York 10004, Attn: Paul Schwartzberg, Esq.

P. The Debtor is hereby authorized and empowered to take such steps and incur and pay such costs and expenses and to do such things as may be reasonably necessary to implement the provisions of this Order.

Q. This Court shall retain jurisdiction to hear all such matters as may be related to, or arise from, this Order and/or the Solicitation Package.

Dated: New York, New York
July 22, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re)	
)	Chapter 11
)	
XO COMMUNICATIONS, INC.,)	Case No. 02-12947 (AJG)
)	
Debtor.)	
)	

**NOTICE TO HOLDERS OF CLASS A COMMON STOCK
IN CLASS 10 OF (I) ENTRY OF DISCLOSURE
STATEMENT ORDER; (II) HEARING TO CONSIDER
CONFIRMATION OF THE DEBTOR'S THIRD AMENDED
PLAN OF REORGANIZATION; AND (III) FIXING OF
TIME FOR FILING OBJECTIONS THERETO**

TO: ALL HOLDERS OF CLASS A COMMON STOCK IN
CLASS 10 (OLD COMMON STOCK INTERESTS)

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Southern District of New York (the "Court") has entered an order, dated _____, 2002, approving the disclosure statement, dated _____, 2002 (as modified, amended or supplemented from time to time, the "Disclosure Statement"), for the Third Amended Plan of Reorganization, dated _____, 2002 (as modified, amended or supplemented from time to time, the "Plan"), of the above-captioned debtor and debtor in possession (the "Debtor") pursuant to section 1125 of title 11 of the United States Code, and authorizing the Debtor to solicit votes with regard to the acceptance of the Plan annexed as an exhibit thereto.

PLEASE TAKE FURTHER NOTICE that a hearing (the "Confirmation Hearing") will be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States Bankruptcy Court, Alexander Hamilton United States Custom House, One Bowling Green, New York, New York 10004-1408 in Room 523 on _____, 2002, at ____:____.m. or as soon thereafter as counsel can be heard, to consider the entry of an order confirming the Plan.

PLEASE TAKE FURTHER NOTICE that responses and objections, if any, to the confirmation of the Plan or any of the other relief sought by the Debtor in connection with confirmation of the Plan, must (1) be in writing and state with particularity the grounds therefor, and (2) be filed with the Court (with a copy to chambers) and served in a manner so as to be received by: (i) counsel to the Debtor, Willkie Farr and Gallagher, 787 Seventh Avenue, New York, New York 10019, Attn: Tonny K. Ho, Esq.; (ii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attn: Gary D. Begeman, Esq.; (iii) counsel to the Investors, Fried Frank Harris Shriver and Jacobson, One New York Plaza, New York, New York 10004, Attn: George B. South III, Esq., and Latham & Watkins, 885 Third Avenue, Suite 1100, New York, New York 10022-4802, Attn: Ms. Shari Siegel, Esq.; (iv) counsel to the lenders under the Senior Credit Facility, Skadden, Arps, Slate, Meagher & Flom, LLP, Four Times Square, New York, New York 10036, Attn: Jay M. Goffman, Esq.; (v) proposed counsel to the official committee of unsecured creditors, Akin, Gump, Strauss, Hauer & Feld, L.L.P., 590 Madison Avenue, New York, New York 10022, Attn: David Botter, Esq. and Daniel H. Golden, Esq.; and (vi) the Office of the United States Trustee, 33 Whitehall Street, Twenty-First Floor, New York, New York 10004, Attn: Paul Schwartzberg, Esq.

PLEASE TAKE FURTHER NOTICE THAT IF ANY OBJECTION TO CONFIRMATION OF THE PLAN IS NOT FILED AND SERVED STRICTLY AS PRESCRIBED HEREIN, THE OBJECTING PARTY MAY BE BARRED FROM OBJECTING TO CONFIRMATION OF THE PLAN AND MAY NOT BE HEARD AT THE CONFIRMATION HEARING.

PLEASE TAKE FURTHER NOTICE that the Confirmation Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by an announcement in the Court of such adjournment on the date scheduled for the Confirmation Hearing.

Dated: New York, New York
_____, 2002

WILLKIE FARR & GALLAGHER
Attorneys for the Debtor
787 Seventh Avenue
New York, New York 10019
(212) 728-8000

EXHIBIT B

THE OBJECTIONS

1. The United States Trustee for the Southern District of New York
2. The Official Committee of Unsecured Creditors
3. KDC-Sunset, LLC
4. High River Limited Partnership
5. Wells Fargo Bank Minnesota, N.A.
6. HSBC Bank, USA, as Indenture Trustee
7. Forstmann Little & Co. Equity Partnership-VII, L.P., Forstman Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. and Telefonos de Mexico, S.A. de C.V.